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Report of the Secretary-General on the United Nations Interim Administration Mission in Kosovo

I. Introduction

1. The present report is submitted pursuant to Security Council resolution 1244 (1999) of 10 June 1999, by which the Council decided to establish the United Nations Interim Administration Mission in Kosovo (UNMIK) and requested the Secretary-General to report at regular intervals on the implementation of the mandate. It covers the activities of UNMIK and developments in Kosovo, Serbia and Montenegro, from 16 July to 31 October 2004.

II. Political assessment

2. My Special Representative, Søren Jessen-Petersen, who assumed his responsibilities on 16 August 2004, has provided a technical assessment of progress against the standards agreed for Kosovo, which is annexed to the present report. His findings show that some tangible and encouraging progress has been made in specific areas, but that concrete progress so far has been uneven and limited, and that the standards have not yet been met. A concerted effort will be essential to maximize the chances for a positive outcome to the comprehensive review of the progress made in the implementation of the standards, envisaged for mid-2005.

3. At the same time, it does appear that, six months after the wave of violence targeting the Kosovo Serb and Ashkali communities, as well as UNMIK and the Kosovo Force (KFOR), Kosovo is getting back on track in regard to fulfilling the standards. The Provisional Institutions of Self-Government have focused again on the standards that the international community has set out for Kosovo and the steps required to achieve them, and have taken an increasingly active role in their implementation.

4. The progress achieved in some areas following the March violence has been tangible and encouraging. Many of the damaged and destroyed houses have been rebuilt or are under reconstruction, the schools have been rebuilt and some start-up assistance payments have been made. There has also been continuing progress in investigating, arresting and prosecuting those responsible for the violence. The declining trend in crimes against members of minority communities resumed after the events in March. The encouraging progress made following the establishment of

a committee, chaired by the Council of Europe, to supervise the reconstruction of religious sites has stalled, owing to objections from the Serbian Orthodox Church.

5. There has been progress in the area of reform of local government, which is of major importance in safeguarding the vital interests of minority communities, in particular Kosovo Serbs. A framework document on local government reform was prepared by a joint UNMIK-Provisional Institutions working group on local government, and was subsequently endorsed in principle by the Provisional Institutions. Now the challenge is to proceed with the finalization and implementation of the document in a dialogue with and with the support of all communities, notably the Kosovo Serbs, with pilot projects as the first step. Enriching the document, including through continuing consultations with Belgrade, will help to move the local government reform process forward.

6. The elections for the Kosovo Assembly, held on 23 October, were an important further step in the consolidation of the Kosovo Provisional Institutions and the process of stabilization and normalization. The fact that the elections were held in a peaceful manner, and that they were judged to be free and fair and procedurally sound, was certainly a major step forward. However, the non-participation of Kosovo Serbs was a disappointing outcome, although not surprising given the short time available for campaigning, the difficult living conditions that Kosovo Serbs find themselves in and the conflicting positions in Belgrade.

7. Despite these important steps forward, the lack of progress in key areas, such as return and reconciliation efforts, security conditions and freedom of movement for the Kosovo minorities, in particular Kosovo Serbs, remains cause for concern. Significantly, satisfactory progress has been achieved on only two of the six priority actions contained in the returns and rights of communities standard of the Kosovo Standards Implementation Plan, which was revised following the violence in March. So far, funding for the March reconstruction programme has been sufficient, although a €2 million advance from the returns fund has not yet been replenished. Substantial efforts have been made to reconstruct property damaged or destroyed in March, but the programme is not yet complete and significant gaps remain in the reconstruction of secondary buildings and in assistance for replacement of furniture and household items. Although authorities of the Provisional Institutions, notably the Prime Minister of Kosovo, Bajram Rexhepi, have engaged in a broader range of outreach activities to ethnic communities in recent months, a systematic, properly resourced programme for outreach, including mid- to long-term reconciliation and inter-ethnic dialogue, is not yet in place. Neither Provisional Institutions nor party leaders conducted investigations of the role of the public authorities who contributed to the violence in March, or who failed to exercise their authority properly during that period. Provisional Institutions and party leaders have not publicly condemned the media reports that contributed to ethnic violence.

8. The security of the Kosovo minority groups, in particular Kosovo Serbs, remains precarious. There continue to be substantial limitations on their freedom of movement. In some regions, Kosovo Serbs travel through areas in which there is a Kosovo Albanian majority only with escorts or through special transport services, while in other areas they use vehicles with KS license plates to undertake routine travel, while requesting escorts for more high-profile trips. The rate of returns following the March events has been significantly reduced, and the safety and sustainability of these returns remain fragile. Because of the March events, more

members of minority communities have been displaced in 2004 than have been able to return to their homes. Furthermore, the meaningful participation of minority communities, in particular Kosovo Serbs, in the Provisional Institutions has not improved despite initiatives taken in this regard.

UNMIK priorities

9. In the light of the above, my Special Representative has outlined his set of priorities for the near future. First and foremost, achieving progress on the eight standards remains the basic policy framework of UNMIK. The need to prioritize actions within each standard is essential in order to ensure the sustained action needed to deal with the consequences of the March events and in order to establish the institutions and secure the active engagement of the Kosovo leaders and people for creating a multi-ethnic society.

10. Engagement by both the Provisional Institutions and the Kosovo Serb and other minority communities in the Kosovo Security Advisory Group and local crime prevention councils presents an important opportunity to address the security concerns of minorities. The local crime prevention councils, which bring together police, KFOR, municipal authorities and community representatives, will also help to address local security requirements. My Special Representative has also proposed to the Serbian Government that high-level talks be held on Kosovo security issues.

11. UNMIK has undertaken a comprehensive review of the competencies it currently manages on the basis of Security Council resolution 1244 (1999) and has identified a number of responsibilities that do not impinge on sovereignty and can be transferred to the Provisional Institutions. This transfer would be strongly linked to the greater accountability and responsibility of the Provisional Institutions, which also implies robust monitoring and oversight, and sanctions imposed by my Special Representative, as required. This process will only be possible through the building of additional capacities within the Provisional Institutions. My Special Representative has already undertaken initiatives to improve coordination in this field.

12. UNMIK and the Provisional Institutions will proceed as quickly as possible with decentralization pilot projects and the drafting of laws on local government and finances. The envisaged pilot projects would provide for a practical evaluation of reform efforts at an early stage and accelerate progress in regard to the provision of services and implementation of standards, including institutional protection and security of minority communities.

13. UNMIK will also work in close coordination and cooperation with KFOR to improve security and freedom of movement, which are key factors needed to consolidate the presence of the minority communities and to accelerate the return of displaced persons to Kosovo. An action plan is being produced to ensure support for positive measures by local authorities in the area of returns, particularly at the municipal level, while at the same time dealing directly with those obstructing returns at all levels. These efforts will need to be accompanied by a comprehensive programme of outreach by the Provisional Institutions to Kosovo Serb and other minority communities and further steps to employ minorities in the public service.

14. Economic development is necessary not only to improve general social and economic conditions, but specifically to improve security and stability. While

actively working with European institutions on a mid- and long-term economic strategy, effective short-term measures are also necessary. Quick-impact projects at the municipal level will be implemented with donors and United Nations agencies in order to lay the groundwork for the recovery of the economy.

15. Multichannel dialogue is essential. Kosovo communities should engage in internal dialogue, and dialogue between Pristina and Belgrade should be enhanced. The constructive engagement of Belgrade is needed in a variety of fields beyond decentralization, such as missing persons, returns and the economy. Consideration will be given to the resumption of meetings of the working groups in the direct dialogue between Pristina and Belgrade. In addition, the involvement of Kosovo in regional dialogue and initiatives will be enhanced. UNMIK will also make sure that information is shared throughout the region and will intensify dialogue with the wider international community.

16. UNMIK has moved forward in implementing measures proposed after the March violence. Joint planning and operations developed since March by UNMIK and KFOR place particular emphasis on the security of minority enclaves and cultural sites and the creation of a security climate conducive to the return of internally displaced persons. The newly established local crime prevention councils will be complemented by an increased KFOR, UNMIK police and Kosovo Police Service (KPS) operational presence at the local level through mobile liaison and monitoring teams in each municipality, which will maintain permanent contact with UNMIK police and KPS, communities, village leaders, religious leaders and local authorities.

III. Observations

17. Although there have been steps taken during the reporting period towards addressing the causes and consequences of the March violence and in moving forward with the implementation of the standards for Kosovo, progress remains limited and uneven. While positive statements and commitments have been made by representatives of the Kosovo Provisional Institutions and by Kosovo political leaders, and while measures and mechanisms have been established, more action is required to translate these into concrete and sustainable results. The intensive engagement of the Contact Group and others has helped greatly to impress upon the Provisional Institutions that much remains to be done and progress must be achieved. The critical challenge for the Kosovo Provisional Institutions and for its political leadership remains to ensure that progress against standards translates into tangible and sustained change in Kosovo that concretely benefits all of its population.

18. Following the conclusion of the elections, the challenge for the Kosovo leadership is to form a representative, stable and effective Government that can bring Kosovo forward. Notwithstanding the disappointing turnout of Kosovo Serb voters, there is a need to work with the legitimately elected representatives of all communities and to reach out to those who, for whatever reason, decided not to vote. This will clearly need to include a continued focus on areas of particular significance for the Kosovo Serb community — returns, security and decentralization. I call upon the leadership of the Provisional Institutions and of the Kosovo Serb community to work together in the interest of the people of Kosovo

with the aim of creating the conditions for their normal life. Outreach from the Provisional Institutions and majority community leadership to all communities must be a priority.

19. As stated in my previous report to the Security Council on UNMIK (S/2004/613), following the events in March, I requested that a comprehensive review of the policies and practices of all actors in Kosovo be conducted and that options and recommendations be provided as a basis for further thinking on the way forward, in accordance with Security Council resolution 1244 (1999). Ambassador Kai Eide of Norway, whom I asked to conduct the review, submitted his assessment and recommendations for my consideration. His excellent report outlined a comprehensive and integrated strategy that provides a basis to take us into the process that will determine the future status of Kosovo. Following consultations, including with my Special Representative for Kosovo, key Member States and the leadership of our partner organizations, there seems to be a general understanding of and support for an integrated strategy for the way forward in Kosovo from now until mid-2005 and in preparation for the process to determine the future status of Kosovo. There was broad agreement on the need to focus on the economy and on security, the need to engage with Belgrade and to bring the Kosovo Serbs into the process, and the importance of the standards process. There was also broad support for a subregional approach which would not focus exclusively on Kosovo. We will continue to work closely with key Member States, in particular those in the Security Council and Contact Group, as well as with our regional partner organizations to continue the forward momentum on the basis of consensus.

20. In conclusion, I would like to thank my Special Representative, Søren Jessen-Petersen, for his commitment and dynamism in the first months of his tenure. My appreciation also goes to my former Principal Deputy Special Representative, Charles Brayshaw, for the steady leadership he has shown throughout his years of service in UNMIK. I would also like to extend my gratitude to the men and women of UNMIK for their dedication and commitment to the values and objectives of the United Nations. Finally, I would like to extend my appreciation to KFOR, our partners within UNMIK — the European Union and the Organization for Security and Cooperation in Europe — and to other organizations, agencies, contributors and donors for their valued political and material support in implementing Security Council resolution 1244 (1999).

Annex I

Technical assessment of the implementation of standards, prepared by the Special Representative of the Secretary-General for Kosovo

1. The present technical assessment is provided pursuant to consultations held by the Secretary-General in New York in September 2004. It outlines progress made against the eight standards for Kosovo (jointly agreed by the United Nations Interim Administration Mission in Kosovo (UNMIK) and the Provisional Institutions of Self-Government on 10 December 2003) and the fulfilment of the actions contained in the Kosovo Standards Implementation Plan. Future technical assessments will focus more on the implementation of those priority actions within the standards linked to a multi-ethnic Kosovo (security and rule of law, freedom of movement, returns and protection of minorities, functioning democratic institutions and reform of local government).

A. Functioning democratic institutions

The organization and holding of general elections in Kosovo has been professionally carried out for the first time largely by the people of Kosovo. While the Provisional Institutions continued to suffer from a lack of capacity in many areas, not enough attention was given to the promotion of the multi-ethnicity of Kosovo institutions. Work on the reform of local government made considerable advances during the reporting period.

Elections

2. The Kosovo elections were for the first time organized to a large extent by the people of Kosovo themselves. A multi-ethnic Central Elections Commission set the regulatory basis for operations by adopting 15 electoral rules. With the objective of keeping the election machinery financially, institutionally and functionally sustainable, the 30 municipalities of Kosovo were requested to second staff to municipal election commissions. With a few exceptions, local administrations provided adequate and timely logistical support to the commissions, even in the Kosovo Serb-majority areas where the dominant mood was against participation in the elections.

3. The Central Elections Commission and its secretariat certified 33 political entities which contested the elections on 23 October. Political parties complied with requirements of financial reporting and paid their outstanding fines to the Political Party Registration Office. The ballot was printed in early October, allowing enough time to send the postal ballots to eligible voters outside Kosovo.

4. The implementation of the postal ballot registration programme in Serbia and Montenegro, however, encountered serious difficulties owing to the refusal of the Serbian authorities to cooperate technically through the Commissariat for Refugees in locating eligible voters. The conclusion of the registration programme saw less than 2 per cent of the estimated number of eligible voters outside Kosovo included on the final voters list (about 1,300 internally displaced person voters, compared to

the approximately 109,000 voters included on the 2002 list of eligible voters in Serbia and Montenegro).

5. The election campaign began on 22 September and was largely conducted in a correct, calm and dignified manner. Although many Kosovo Serb political leaders wished to participate in the elections, parties in Serbia proper were largely against participation. However, President Boris Tadic, on 5 October, publicly encouraged Serbs to vote and the Special Representative of the Secretary-General allowed the late registration of a new political entity representing Kosovo Serbs, the Serbian List for Kosovo and Metohija, which applied for registration immediately after Serbian President Tadic's announcement. On 8 October, a technical memorandum of understanding was signed with the Serbian Commissariat for Refugees on the opening of polling centres in Serbia proper. Throughout Serbia proper, 15 polling and registration centres were set up and run by the Organization for Security and Cooperation in Europe (OSCE). All displaced people who had proper documentation and had not already requested postal ballots were able to cast their votes for the Kosovo Assembly at these locations.

6. The campaign for the 23 October Kosovo Assembly elections took place without any major procedural irregularities and the vote was held in an orderly manner, with no significant security incidents. After a recount held in response to complaints relating to the forms used in the vote tally, official results showed a turnout of around 54 per cent (in Kosovo), down from around 64 per cent in the first Assembly elections held in Kosovo in 2001. The breakdown of overall support for the main Kosovo Albanian parties did not vary considerably from that in the 2001 elections: the Democratic League of Kosovo obtained 45.4 per cent of the votes, the Democratic Party of Kosovo 28.9 per cent and the Alliance for the Future of Kosovo 8.4 per cent. A new Kosovo Albanian political formation — ORA ("Time") — obtained 6.2 per cent of the vote. Negotiations among the main Kosovo Albanian parties on the formation of a coalition Government began immediately after the vote, although without result at the time of issuance of the present report.

7. Kosovo Serb participation in the Assembly elections was negligible. There were conflicting signals from Belgrade regarding whether the Kosovo Serbs should go to the polls. Prime Minister Vojislav Kostunica, speaking on behalf of the Serbian Government, and Serbian Patriarch Kyr Pavle maintained that the conditions were not in place for Kosovo Serbs to vote and urged Kosovo Serbs not to go to the polls. On 5 October, Serbian President Tadic stated that he would support Kosovo Serb participation in the elections, albeit accompanied by a number of conditions which included the establishment of internationally recognized local Serb authorities in the areas populated by Kosovo Serbs. As mentioned above, his announcement led to the certification of a Kosovo Serb entity — the Serbian List for Kosovo and Metohija — which submitted a list of 33 candidates for Kosovo's elections; another Kosovo Serb civic list claiming to represent Kosovo Serb internally displaced persons had also previously been certified. The late stage at which this decision was made allowed for virtually no campaigning by Kosovo Serb politicians, and protests by groups of Kosovo Serbs against participation in the elections took place. Only around 2,000 Kosovo Serbs, or under 1 per cent of the potential Kosovo Serb electorate, voted. The low turnout meant that there will not be any directly elected Kosovo Serb representatives in the Assembly and it remains uncertain if the 10 seats set aside will be filled. This is a setback from the

2001 Kosovo-wide elections when the Kosovo Serb coalition was the third largest entity in the Assembly with 22 seats, of which 12 were directly elected.

Provisional Institutions of Self-Government

8. In general, the Provisional Institutions continue to suffer from a lack of capacity in the implementation of the key aspects of the Kosovo Standards Implementation Plan, although some attempts at correcting this situation are being initiated at the Office of the Prime Minister. The enhanced scrutiny of progress on the Kosovo Standards Implementation Plan provided by joint UNMIK-Provisional Institutions standards working groups, attended by members of the Contact Group, has ensured better progress. The enhancement of the professional competence of the civil service continues to pose a major challenge, as does the need to insulate the civil service from political interference. For example, cases of municipal civil servants who have not followed — and have not been requested to do so by the Ministry of Public Services — the civil service rules that require them to resign or take unpaid leave as a result of their candidacy in the elections have been frequently reported during the period under review.

9. While the Provisional Institutions have to bear the burden of the achievement of standards for Kosovo, their task has been considerably complicated by the continued existence of Serbian parallel structures which take orders from Belgrade and contribute to the alienation of the Kosovo Serbs from mainstream politics and the public administration. This is particularly true of the health and education sectors, as well as the functioning of municipal structures in northern Kosovo, which prevents local institutions from taking full responsibility and being held accountable for the provision of services.

10. Minority employment in the Provisional Institutions continued to be low and confined to areas below the decision-making level, and mostly in the offices catering to minorities themselves. In the central ministries of the Provisional Institutions, the minorities occupied only about 9.6 per cent of total posts, as against the minimum stipulated percentage of 16.6 per cent. The overall percentage of the minorities in ministries has in fact shown a downward trend. On the one hand, this problem may be due to the fact that community candidates are either not available to fill advertised posts or are not prepared to be considered for such posts in an environment in which the trust among the communities is low. On the other hand, the Provisional Institutions have generally fallen short of taking a proactive approach to encouraging increased minority representation. Equal access to employment for minorities is also hampered by freedom of movement concerns (mainly for Kosovo Serbs) and the lack of qualified candidates (from the Roma, Ashkali and Egyptian communities). Employment of Kosovo Serbs and other community members in municipalities is very limited, with only 450 Kosovo Serbs employed outside the municipal community offices in municipalities in which Kosovo Albanians are in the majority.

11. The Kosovo Assembly held its final session on 27 September. During its three-year mandate, the Assembly adopted 83 laws, of which 74 have been formally submitted to UNMIK and 51 promulgated to date. Many of the remaining laws were forwarded to UNMIK only recently for promulgation as the Government and the Assembly rushed to make an impact on the legislative backlog. The Assembly passed a record 29 laws during the period from July to September. Assembly

committees, which are responsible for reviewing and proposing amendments to draft laws, thus had to meet an extremely tight deadline and, as a result, some proposed no amendments to draft laws or relied primarily on the comments of external experts.

12. The 38 proposed amendments to the Constitutional Framework adopted on 8 July by the Assembly were forwarded in September to UNMIK for its consideration. UNMIK continues to object to the comprehensive review undertaken of the Constitutional Framework, but will study specific areas in which amendments can be considered. Changes that impinge on Security Council resolution 1244 (1999) or that encroached upon the powers reserved to the Special Representative of the Secretary-General will not be considered.

Reform of local government

13. The Pristina-based working group on local government, jointly chaired by UNMIK and the Provisional Institutions, finalized a framework document for the reform of local self-government in Kosovo, which addresses calls for greater democracy, increased participation, better provision of services and sustainable security at the local level. The document calls for a substantial devolution of power from the central to the local level, empowering citizens to participate fully in local government. At a meeting held in New York on 22 September, the Contact Group, while emphasizing that local governmental reform must be developed by actors in Kosovo, called for the constructive engagement by Belgrade in decentralization efforts. The Contact Group subsequently hosted a dialogue meeting between experts from Pristina (UNMIK and the Provisional Institutions, including a Kosovo Serb community representative) and Belgrade (Serbian Government and Presidency), in Vienna on 27 and 28 September. These talks were conducted in an open-minded and businesslike atmosphere. The Chair of the meeting, while urging the Kosovo Serb community to join the Pristina-based working group on local government, encouraged Belgrade to play an active role in the working group in elaborating specific proposals in support of the Kosovo Serbs, which would receive full consideration.

Media

14. No substantive progress was made on standards implementation in regard to the media over the reporting period. However, the planned establishment of an inclusive and representative working group which will consider the creation of a media institute, as well as the forthcoming resumption of deliberations to establish a code of conduct for journalists, are expected to carry media reform forward over coming months. Efforts will also be undertaken to improve the unsatisfactory implementation of the Law on Access to Information. As at September, the OSCE Representative on Freedom of the Media, Freimut Duve, had sent an expert to Kosovo who will seek to push forward efforts to establish a self-regulatory system for the print media. In overturning an earlier negative decision by a district court against an application by the temporary Media Commissioner to enforce an unpaid fine against the daily newspaper, *Bota Sot*, the Supreme Court on 20 August re-established the Commissioner's authority to enforce sanctions. At the beginning of the electoral campaign, all but two newspapers were found to be in conformity of the rules on political advertising and the reporting of opinion surveys, with the *Bota Sot* and *Pavaresia* newspapers receiving warning letters from the Commissioner.

The draft law on the establishment of the Independent Media Commission was not submitted to the outgoing Assembly.

B. Rule of law

Continuing progress is being achieved in the investigation and prosecution of those responsible for the March violence, by both international and local judges and prosecutors. The non-participation of the Kosovo Serbs continues to paralyse the top-level Kosovo Security Advisory Group, but crime prevention councils at the local level throughout Kosovo are beginning to contribute to an improved security environment.

15. During the period under review, there has been continued progress in bringing to justice those responsible for the violence in March. More than 100 cases have been completed, with 85 resulting in convictions, ranging from fines and reprimands to a sentence of five years' imprisonment for a Kosovo Serb in Mitrovica who threw a grenade at Kosovo Force (KFOR) soldiers, injuring two of them. More than 200 other cases are still under judicial process, including indictments for the murders of Kosovo Serbs and attacks on Serbian churches and houses, and cases against alleged ringleaders of the violence.

16. The bulk of cases have been handled by local judges and prosecutors and monitored by UNMIK to ensure the fairness of the trial. Most cases appear to have been dealt with appropriately but UNMIK is ready to appeal if necessary: for instance, an international prosecutor has appealed the verdict of a local judge against two Kosovo Albanians who were involved in the looting of a Serbian Orthodox church on 19 March 2004.

17. In relation to war and inter-ethnic crimes, two Kosovo Albanians were indicted on 13 September for the murder of a 17-year-old Kosovo Serb in Gracanica on 5 June 2004; 11 Kosovo Albanians were indicted for inciting ethnic hatred when they blocked a convoy of potential Serb returnees on a go-and-see visit in Suva Reka on 13 November 2003; and on 20 September, trial proceedings commenced against a Kosovo Serb charged with killing three Kosovo Albanians and severely wounding two others during an attack in April 1999. In regard to organized crime, on 27 September, 8 Kosovo Albanian suspects were indicted in a major case of drug trafficking, involving large-scale shipments of heroin into Western European countries, which were coordinated from Kosovo.

18. On the fight against corruption, a mixed picture emerges. There are isolated instances in which corrupt practices within ministries have been detected and stamped out; progress has been made in both ministries and municipalities in establishing systems of internal audit and financial control; and, on 8 September 2004, the Assembly adopted a Law on Anti-Corruption. This falls far short, however, of the necessary comprehensive implementation programme for the anti-corruption strategy which was adopted by the Provisional Institutions in March 2004; indeed, some ministries still claim not to have received any information about its recommendations.

19. Closer relations between communities and police are a key part of the UNMIK strategy to improve security. Local crime prevention councils are currently being established in all municipalities, bringing together police, KFOR, municipal

authorities and community representatives to address requirements concerning local security. These meetings are already under way in all municipalities in the south-west and Gnjilane regions, and meetings in Zubin Potok and Leposavic (Mitrovica region) were attended by all communities.

20. At the central level, the Kosovo Security Advisory Group was established as a high-level forum for the Provisional Institutions and all communities in Kosovo to discuss security concerns with UNMIK and KFOR. After an initial introductory meeting on 13 July, it has stalled as a result of the decision by Belgrade not to allow, for an indefinite period, Kosovo Serbs to participate.

21. Transition in the Kosovo Police Service (KPS), briefly interrupted by the events of March, has returned to a scheduled progression. Since July, five police stations have been transferred to KPS, with 15 now under its command. Currently, 85 per cent of training at the Kosovo Police Service school is managed and delivered by KPS officers and other staff from Kosovo. The creation of special police units in KPS has been a priority since March, with the establishment of the first unit currently under way. Two additional units will be created in 2005 and another two between January and June 2006. KPS officers are also increasingly assuming responsibility for criminal investigations. At present, 816 KPS investigators are working in the regional and station investigation units and 13 per cent of these are from non-Albanian ethnic communities. During the first six months of 2004, 794 KPS officers were trained in special investigations.

C. Freedom of movement

Substantial limitations on freedom of movement remain for members of minority communities in Kosovo, in particular Kosovo Serbs who travel only with escorts or by means of special transport services in most regions, and whose day-to-day movements are severely constrained by the limited availability of such assistance.

22. In some regions, Kosovo Serbs travel through areas with a Kosovo Albanian majority only with escorts or by means of special transport services, while in other areas Kosovo Serbs use vehicles with KS license plates to undertake routine travel, while requesting escorts for the more high-profile trips. Members of other minority communities (including Kosovo Albanians in predominantly Serb municipalities) enjoy more freedom of movement than Kosovo Serbs, but still face some problems. More than 300 police escorts are required each month in connection with the transport of Kosovo Serb political authorities, visits by internally displaced persons, cultural or religious events, and travel to work or school. In the absence of police or military escorts, for example, Kosovo Serb children in the rural areas north of Pristina and in Obilic did not attend school for several weeks in September. Kosovo license plates are still not recognized by the Serbian Government, which exacerbates limitations on freedom of movement for the Kosovo Serb population. Minority communities may also travel safely through the civil service bus line, and the "freedom of movement" train, both of which are funded by the Government. Two more United Nations-operated bus lines will be opened, one of which will enable minority students to access the University in Mitrovica.

23. Nine incidents of harassment associated with the movement of minorities were reported by UNMIK police. Most of these were directed against Kosovo Serbs and were stoning incidents. Several incidents of damage and/or vandalism to Serb

cemeteries have also been reported to UNMIK police. Worryingly, following the destruction of abandoned properties in the post-March period, damage ranging from vandalism to arson continued to be done to reconstructed homes that had not yet been reoccupied. This sent an extremely negative message to prospective returnees, which authorities of the Provisional Institutions have not attempted to combat through the public condemnation of such acts.

24. Special arrangements are generally required for minority public service employees to work in majority areas, since the places of work for such employees are normally in the urban centres in which few minorities, in particular Kosovo Serbs, reside. Most municipalities currently provide some form of transportation for minority public service employees, and the civil service bus line provides access to work for many. The fact that transport needs to be provided interferes with the service of those who do have such jobs, and deters many from seeking such employment.

25. Only two municipalities (Pristina and Prizren) have adequately functioning language units; in other municipalities, language units are either non-existent or inadequately resourced. In a recent UNMIK survey, 20 of 24 municipalities received below average ratings in regard to compliance with the language-use provisions set forth in the standard. Only three municipalities obtained average scores and only one (Novo Brdo) achieved an above-average score. Of the six ministries surveyed, three have language units, albeit inadequately staffed, while the others continue to rely mostly on UNMIK resources. Only the Ministry of Public Services has established a system for monitoring the use of languages. There are no sanctions or remedial measures in place at either the municipal or ministry level to address non-compliance. The use of official languages on public signs is respected in most ministries and municipal courts, however, the municipal offices of the Provisional Institutions usually do not comply. Buildings that display monolingual signs include health facilities, schools and social welfare offices. This non-compliance applies equally in both Kosovo Albanian and Kosovo Serb majority municipalities.

26. Non-compliance with the regulation on the names of municipalities is widespread, with only one third of municipalities generally complying with the regulation. Names of streets, cities, towns, villages, roads and public places are often expressed only in the language of the majority community.

D. Sustainable returns and rights of communities and their members

While the day-to-day security situation has stabilized since the March violence, Kosovo Serbs and members of other minority communities continued to face serious threats to their well-being and security, based on ethnicity, and more people have been displaced in 2004 as a result of the March events than have been able to return to their homes.

Reconstruction

27. At the end of September, reconstruction of approximately 89 per cent of damaged and destroyed houses had been completed or was under way. Of the 919 homes damaged or destroyed, reconstruction of 481 houses had been completed. Reconstruction of the two schools damaged in March was largely completed by the 1 September deadline, and both schools are now functioning; 187 Kosovo Serb

children and 40 Roma children are currently attending the Sveti Sava school in Kosovo Polje. The Ministry of Education has provided the necessary equipment and furniture for schools as well. The processing of €2,000 start-up assistance payments has accelerated, although to date only 54 payments have been made (of payments for an estimated 700 eligible beneficiaries).

28. After encouraging initial progress by the Provisional Institutions, Kosovo Serbs, Belgrade and UNMIK in the reconstruction of religious sites, the restoration of monuments has been stalled since September after objections were raised by the Serbian Orthodox church. The implementation committee for reconstruction, consisting of an international chairperson and representatives of the Serbian Orthodox church, the Serb Government and the Provisional Institutions, is currently at an impasse. Eleven tenders have been made for restoration works and some €4.2 million set aside by the Provisional Institutions. However, as at mid-September, the representative of the Serbian Orthodox church has withdrawn his assent for the programme and has discontinued participation in the committee.

Returns

29. More minority community members have been displaced in 2004 than have been able to successfully return to their homes. As at 24 September, 2,288 people who had been displaced in the March violence had not yet returned to their homes. Up to 31 August, the number of minority returns to Kosovo in 2004 was 1,300. The pace of returns for 2004 is substantially slower than in 2003, with the number of returns at the end of August amounting to only 40 per cent of last year's total for the same period. The March violence had a particularly negative impact on urban returns: the only significant urban returns projects now under way involve the return of Kosovo Roma and Egyptians. Returns projects in urbanized areas are also under way in both the Pec and Klina municipalities. Returns projects are proceeding in two municipalities that had not seen significant organized returns prior to the current year (Urosevac and Dakovica).

30. While the level of municipal engagement in the returns process has increased during the reporting period, most municipalities still lack both the capacity and political will to assume full responsibility for minority returns. Problems encountered in implementing the Provisional Institutions reconstruction programme provide concrete evidence of the problem. A number of municipalities have demonstrated limited capacity to implement reconstruction projects, and delays have plagued the submission of information from municipalities to the central Reconstruction Commission. The programme has also exposed the communications gulf that exists between municipal authorities and minority communities. Municipalities are currently developing municipal return strategies, although fewer than one quarter have completed a strategy and presented it to the municipal working group on returns. Municipal capacity to address returns issues will, however, increase substantially in the coming months, since 26 municipalities have either hired or are in the process of hiring municipal returns officers. Direct engagement by municipalities in the development or implementation of returns projects is still extremely limited, although the involvement of municipalities as implementing partners for returns projects will be encouraged through Kosovo returns funding for 2005.

31. The Provisional Institutions have continued to provide a generous level of funding for returns, with a 50 per cent increase in returns funding from 2003 to 2004 (from €7 million to €10.5 million). While returns funding will remain stable in 2005, Kosovo has now assumed the position of the leading funder of returns. Efforts have continued to ensure that returns funding is distributed according to need and involves all communities. Most of the Kosovo budget has been directed to projects involving Kosovo Serbs (who constitute approximately 75 per cent of the displaced), but projects have also been funded for the return of Gorani families in Dragas, Kosovo Roma, Ashkali and Egyptian families in Dakovica and Mitrovica, and Kosovo Albanian returns to the Serb-majority municipality of Strpce.

32. Visible support for returns by community leaders remains irregular. Some leaders have participated helpfully in municipal working groups, and in go-and-inform visits and go-and-see visits. Representatives of the Provisional Institutions, in particular the Prime Minister, have visibly supported the reconstruction process through frequent visits to the inauguration and completion of building activities. While municipal authorities have become more constructively engaged in returns activities, a limited number of projects continue to encounter resistance at the municipal level. Political leaders have also frequently cited the elections as a basis for their inability to engage more actively in returns and community related efforts. The cornerstone of legal protection for the rights of communities and their members — the Anti-Discrimination Law — was promulgated on 20 August. The steps required for the implementation of the Law, however, have not yet begun, including the required public education and training activities.

33. In July, Kosovo political leaders endorsed the creation of a Ministry for community matters, human rights and returns. Work on the development of the Ministry has proceeded apace, with the support of an international consultant. Contributions by local authorities have been somewhat limited so far, and efforts to develop the capacity that would form the foundation for the new Ministry have not yet made much progress.

34. Municipal communities offices have gradually begun to function normally again following the March violence through the re-establishment of links and improvement of cooperation with the municipal administration. For example, in the south-west region, the heads of the offices attend on a regular basis meetings of boards of directors, and in the Gnjilane region, all four mixed municipalities reported municipal support for the municipal communities office. During the reporting period, meetings of the Communities Committee were held in 16 municipalities; in 7 municipalities, Kosovo Serbs continued to boycott the committees. In 12 municipalities, mediation committees have never been convened, while in those municipalities in which the mediation committees have been convened, no meaningful results have been achieved. Despite the increase in the number of municipalities that have held meetings on a regular basis, the structures continue to have a very limited overall impact owing to a lack of political will from all sides, and an insufficient understanding of their role despite the efforts of UNMIK and OSCE to ensure progress.

35. Fair-share financing results for the first half of 2004 closely resemble those for the same period in 2003. Only seven municipalities — Zvecan, Orahovac, Kamenica, Mitrovica, Vitina, Stimlje and Pristina — have achieved the minimum levels of spending relating to communities in all three budgets lines (municipal core

budget, education, health). Another seven municipalities reached fair-share financing in two of three budget lines.

E. Economy

Some progress has been made in completing economic legislation, moving privatization forward and the overall implementation of the budget process. Increased efforts need to be made, however, to improve revenue collection for public utility service providers, to enhance domestic tax compliance and to ensure that the budget process moves forward in a timely and coherent manner with all stakeholders on board. Overall, in almost all areas the need for capacity-building is still a matter of concern, in particular for ensuring that a long-term, strategic approach is adopted in regard to the economic development of Kosovo.

36. Concrete progress has been made in economic legislation with action plans in reserved and transferred areas being presented by both UNMIK and the Provisional Institutions. In addition, the Kosovo Assembly adopted a number of relevant laws during the reporting period, including those on obligations, consumer protection, concessions, copyright, patents, profit tax, personal income tax and tax administration and procedures. Efforts to establish an investment promotion agency have also continued, although this process faces human and financial resource constraints. Notably, the Energy Office has been transferred to the Provisional Institutions and is operational.

37. The Ministry of Finance and Economy intends to initiate the transition from commitment to cash budget planning, which is in line with the recommendations of the International Monetary Fund. The budget development process for 2005-2007 is, however, delayed. While management of the budget process has improved, the legal provisions in the Public and Financial Management Accountability Law need to be amended to reflect the single-budget process. Significant underspending by budget organizations, in particular in the capital category, has been repeated, which is an indication that the organizations are slow in implementing investment projects. Collections of Customs duty and associated taxes on importations (excise tax and value-added tax) for 2004 are stable, and running at about 2.5 per cent ahead of collections for the same period last year.

38. The privatization process moved forward, in line with the objective of completing it by mid- or late 2006 as the Kosovo Trust Agency (KTA) privatized an average of 25 socially owned enterprises and their assets each month. Outstanding concerns remain, including those related to the determination of the status of socially owned enterprise, immunity for the KTA Board and management, and the liquidation of the assets and/or land of such enterprises. Illegal seizure of their land by municipalities is an ongoing problem. Two waves of privatization tenders were successfully concluded in the summer and a third wave of 22 tenders for the assets of 13 socially owned enterprises was launched in July 2004, following consultation with United Nations Headquarters and adjustments to the privatization procedures. A fourth wave of privatization is imminent.

39. As part of the restructuring process of publicly owned enterprises based on the audit recommendations, KTA is working towards introducing a new corporate governance concept that foresees the establishment of boards of directors and supervisory boards, which will also improve transparency. The publicly owned

enterprises are also following up on the implementation of 2003 audit recommendations. It is envisaged that, by the end of October, the major publicly owned enterprises will have interim boards that will function until incorporation is completed.

40. The collection of revenue for public utility providers continues to be a problem throughout Kosovo. Although the publicly owned enterprises are largely a reserved responsibility, the Provisional Institutions must take concrete steps to support bill collection and ensure the allocation of adequate Kosovo consolidated budget funds to publicly owned enterprises to enable improved systems of collection to be properly established. Within the Post and Telecommunications Company (PTK), collections in both DardaNet and Vala900 are approaching 100 per cent of billed revenues, leaving the prime area of concern fixed-line telephony. In contrast, the Kosovo Electricity Company (KEK) is only able to collect on 32 per cent of electricity delivered. As an exemplary step, the Provisional Institutions Energy Office has begun consultations with KEK management to cooperate on joint measures to improve billing and collections, and a working group has been formed for this purpose. With the strong support of the Ministry of Environment and Spatial Planning, KTA has now created seven regional water and seven regional waste companies from the previously existing 42 small, fragmented municipal operations to improve revenue collection through consolidation. Currently, the average revenue collection rate in this sector is 52 per cent, although this ranges from 33 per cent to 93 per cent in the seven regional companies.

41. No formal tax compliance indicators have been developed. The Tax Administration has instead developed performance indicators that measure the institutional efficiency of the Administration itself. Domestic compliance with taxes is very low, with only 20 per cent of total tax revenues derived from internal collection. International cooperation, along with the deployment of anti-smuggling teams and cooperation with police and KFOR, continues to improve compliance. The banderol regime introduced to reduce the smuggling of tobacco into Europe is proving effective and has reduced imports by 44 per cent.

F. Property rights

Despite the critical steps taken towards adopting a coordinated strategic approach, the implementation and enforcement of legal and regulatory instruments protecting property rights remain inadequate, whether through administrative, judicial or law enforcement institutions.

42. The illegal occupation of residential, agricultural and commercial land remains an area of little progress. Administratively, municipalities still have not made a concerted effort to sanction and prevent illegal occupation through the enforcement of illegal construction or other regulations. While some municipal leaders have publicly condemned illegal occupation, there is no evidence of a coordinated awareness campaign. At the ministerial level, the Provisional Institutions have not initiated a process to establish an action plan to strengthen existing mechanisms for the effective resolution of disputes over agricultural and commercial property.

43. An important accomplishment was the convening of the Expert Group on Property in August. The Group has finalized its terms of reference and formed a subgroup to begin delayed work on compiling an inventory of legislation related to

central and municipal real property rights, and a needs assessment and legislative action plan.

44. In relation to residential property, the Housing and Property Directorate and Housing and Property Claims Commission continue to work through their caseload. As at 30 September, Directorate and Commission decisions had been issued for 19,875 of 29,028 claims (68 per cent), although only 8,996 (46 per cent) had been enforced or fully implemented. To continue its work according to planned levels, the Directorate has asked for an additional €200,000 to meet its original request of €1.2 million. It also still has a projected $2.3 million deficit for its operations in 2005. Police have provided generally solid support for the enforcement of Directorate and Commission decisions and court-ordered evictions. Work is ongoing to enhance coordination and training in regard to illegal occupation issues in order to help the police and the justice system fully utilize criminal provisions on illegal occupation. As at 16 September, of the 59 trespass-related criminal cases pending with the police, charges were filed in only 1 case, 8 cases were referred to prosecutor, and 44 cases were under investigation.

45. The establishment of the immovable property rights registry and cadastre is slowly moving forward, although neither is yet fully functional nor accessible. A pilot training programme required to launch effectively the digital programme for the Immovable Property Rights Register is ongoing in five municipalities and will be expanded. However, given that parallel records still remain in Serbia proper, duplicate sales of property are still possible.

46. One area in which there has been movement is informal settlements. The stakeholders group established in the second quarter of 2004 has met frequently and worked well together. A situational analysis, looking at the urban management situation in three pilot municipalities, will begin soon. No action has been taken by the Provisional Institutions to implement an awareness-raising campaign among authorities and the general public about informal settlements and the property rights of their inhabitants, despite ongoing urban planning activity. Limited progress also has been noted in the provision of alternative housing for the socially vulnerable. Two pilot social housing projects, initiated centrally and developed and co-financed at the municipal level, were completed in September 2004, and three more projects are under development centrally.

G. Dialogue

There was no continuation of the direct dialogue between Pristina and Belgrade, owing to the latter's reluctance to restart the process after March. However, the Special Representative's initial contacts with the Belgrade authorities were frank and constructive. Regional contacts progressed.

47. Despite the promising start of the dialogue's working group on missing persons early in March, the mid-March violence and a variety of other issues have been cited by Belgrade authorities as impediments to a resumption of the dialogue between Pristina and Belgrade.

48. The Kosovo Prime Minister, Bajram Rexhepi, has declared since April his willingness to resume the dialogue with Belgrade and wrote to the International Committee of the Red Cross on 5 August, requesting the resumption of the dialogue

on missing persons. However, the autumn election campaign in Kosovo and the possibly lengthy process of forming a new Government will prevent Pristina from sitting down with Belgrade for some time to come. The meeting of advisers on the reform of local government, held in Vienna on 28 September, did, however, show that a dialogue between Pristina and Belgrade is still possible.

49. Regional cooperation, in particular with the former Yugoslav Republic of Macedonia and Albania, continued to develop. On 11 June, UNMIK, acting for the Provisional Institutions, signed a Memorandum of Understanding on the Development of the South-East Europe Core Regional Transport Network. This will enhance cooperation on transport issues among signatories, providing the essential precondition for the development of appropriate road and railway links, waterways, ports and airport networks in the region. On 28 September, UNMIK and Albania signed an agreement effectively eliminating double taxation for businesses and persons from Albania operating in Kosovo, and vice versa. Consultations are under way with Slovenia and Turkey with a view to concluding investment protection agreements. Slovenia and Romania have opened liaison offices in Pristina. The former Yugoslav Republic of Macedonia intends to open an office of its Chamber of Commerce. The Provisional Institutions, working in close coordination and partnership with UNMIK, have continued to participate in regular multilateral forums, such as meetings of the Stability Pact and the Western Balkans Forum of the European Union.

50. The European Commission Stabilization and Association Process Tracking Mechanism continued to guide Kosovo towards European Union-compatible reforms. A fifth meeting of the Mechanism was held in Brussels on 17 September between the European Commission, the Provisional Institutions and UNMIK, to discuss issues related to the economy and environment. More important, the meeting served as an opportunity to discuss the recently adopted European Partnership with Serbia and Montenegro, including Kosovo. The European Partnership identifies priorities for action in support of efforts to move closer to the European Union. The recent establishment of the Office for European Integration Processes in the Office of the Prime Minister will increase the capacities of the Provisional Institutions to effectively respond to the European Partnership, participate in the STM, and in other relevant SAP instruments.

H. Kosovo Protection Corps

In general, the Kosovo Protection Corps (KPC) and its members continue to comply with the rule of law and exercise their duties in accordance with their mandate. KPC has not, however, hidden its frustration at not being given greater tasks.

51. At the tactical and operational level, KPC has performed well, in particular in the context of mine clearance and search and rescue operations. The organization will not, however, be able to achieve European professional standards without more training and equipment support. The withdrawal of the training provided by the International Organization for Migration will have a significant impact on both general and specialist training. Command, control and coordination measures need to be developed between KPC and other emergency services (Department of Emergency Management in the Ministry of Public Services, KPS, Kosovo Fire

Service, medics and non-governmental organizations). KPC is also constrained by lack of funding, essential equipment, training and supervision.

52. Discipline within KPC is improving. Cases of non-compliance are less frequent. The procedure is reviewed by legal staff at the Office of the KPC Coordinator and the KFOR Deputy Commander and KPC Inspector General. In general, the process is efficient, uniform, objective and protects due process rights. Minor revisions to procedure have improved efficiency and information flow. A new procedure is being developed to review the performance review system. The revision of the disciplinary code has been delayed by political issues (e.g., future role of the KFOR Inspectorate for the KPC). Steps are being taken to resolve this. UNMIK is not aware of cases of discrimination in disciplinary action, but equally no formal measures appear to have been adopted to ensure that such discrimination does not occur.

53. A campaign plan for recruiting minorities to a quota of 10 per cent (at present, minorities comprise 7.75 per cent of the active membership) has been drawn up but not yet implemented. This will require the proactive support of UNMIK, non-governmental organizations and municipalities. Minority figures are currently falling, owing to external pressures on Serb KPC members (assessed to be predominantly from Serbia, and Kosovo Serbs). New applications from minority members are being processed. Although limited in scale, KPC continues to carry out community projects within minority areas.

54. The Kosovo Protection Corps has released 13 of the 59 sites that it was occupying around Kosovo at the beginning of 2004. Five more locations are to be vacated by the end of the year. Further relocation is constrained by lack of funding to renovate the premises into which the KPC will be consolidated.

Annex II

Composition and strength of the UNMIK police as at 31 October 2004

Country	*Number*	*Country*	*Number*
Argentina	136	Malaysia	32
Austria	29	Mauritius	0
Bangladesh	94	Netherlands	1
Belgium	0	Nepal	47
Brazil	3	Nigeria	78
Bulgaria	54	Norway	20
Cameroon	9	Pakistan	197
China	19	Philippines	90
Czech Republic	15	Poland	124
Denmark	20	Portugal	10
Egypt	37	Romania	185
Fiji	33	Russian Federation	129
Finland	9	Senegal	0
France	75	Slovenia	15
Germany	266	Spain	15
Ghana	51	Sweden	30
Greece	18	Switzerland	8
Hungary	10	Tunisia	5
India	298	Turkey	252
Italy	59	United Kingdom of Great Britain and Northern Ireland	99
Jordan	430	United States of America	244
Kenya	28	Ukraine	213
Kyrgyzstan	4	Zambia	36
Lithuania	8	Zimbabwe	61
Malawi	15		
Total			**3 611**

Composition of the Kosovo Police Service at 31 October 2004

Category	*Percentage*	*Number*
Kosovo Albanians	84.5	5 309
Kosovo Serbs	9.4	593
Other ethnic minority members	6.0	380
Total		**6 282**
Men	85.6	5 382
Women	14.3	900

Annex III

Composition and strength of the military liaison component of the United Nations Interim Administration Mission in Kosovo (as at 31 October 2004)

Country	*Number of liaison officers*
Argentina	1
Bangladesh	1
Belgium	1
Bolivia	1
Bulgaria	1
Chile	1
Czech Republic	1
Denmark	1
Finland	2
Hungary	1
Ireland	4
Italy	1
Jordan	2
Kenya	1
Malawi	1
Malaysia	1
Nepal	2
New Zealand	1
Norway	1
Pakistan	1
Poland	1
Romania	1
Russian Federation	2
Spain	2
Ukraine	2
United Kingdom of Great Britain and Northern Ireland	1
Zambia	1
Total	**36**

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